

Guidance for
Compliance Instrument Tracking System Service (CITSS)
Account Application Corporate Associations and Structure Form

Background

Section 95833 of the Cap-and-Trade Regulation (Regulation) requires entities to disclose its corporate associations and direct corporate associations. This information is needed to consolidate accounts and monitor the market program when multiple entities in the program have a financial interest in each other.

Account Application Requirements

What information must an entity submit to identify other entities with which it has a corporate association?

Each entity applying for a CITSS account must disclose corporate associations and provide specific information related to corporate associations including the name, contact information, and address of an associated entity; whether the entity is a parent or subsidiary; the holding account number of the entity, if applicable; the Primary Account Representative (PAR) or Alternate Account Representative (AAR) of the entity, if applicable; and other identifying information. The CITSS #3 Corporate Associations and Structure Form (CITSS Corporate Associations Form) generated from the CITSS during the account application process is provided to submit the information.

The account representative of a Consolidated Entity Account (CEA) must also submit the required information for all entities to be represented by the CEA. This can be done using a separate CITSS Corporate Associations Form for each entity represented by the CEA. More information on account consolidation is available in the Guidance for Consolidated Accounts Application and the Compliance Instrument Tracking System Service (CITSS).

Entities that choose to opt-out of consolidation will use the CITSS Corporate Association Form to confirm the existence of a corporate association with another entity, including ones that may be represented through a CEA.

Who is required to submit an account application in the CITSS and complete and sign the Corporate Associations and Structure Form?

An individual with an approved CITSS user registration may submit the online portion of an account application on behalf of an entity which has authorized them to do so. During the online data entry, the individual must designate a PAR

and an AAR. The PAR or AAR is required to sign the CITSS Corporate Associations Form to submit the corporate associations information for their accounts. Additional AARs will be permissible in the future. ARB expects that the next release of the CITSS will include the ability to add additional AARs.

Directors and Officers Reporting Requirements

What Officers must be identified for account application?

Entities should report officers responsible for major functions of the entity, such as corporate governance, operations, environmental compliance, and financial operations. For example, the entity should report the following if it has these or the equivalent: chief executive officer, chief operations officer, chief financial officer or controller, or chief of environmental compliance. The entity should disclose other officers, including elected officials, if they control important decision-making functions that affects emissions or compliance.

What Directors must be identified during account application?

Entities should report directors such as members of the entity's board of directors, if it has one. This requirement does not require disclosure of employees that have the term "director" in their title, but who does not sit in the capacity of a member of the entity's board of directors.

During the CITSS account application process, are entities required to report the business or personal addresses for directors, officers, and those holding over 10 percent of voting rights?

There is no requirement to report the primary residence address for directors, officers, or persons holding over 10 percent voting rights. Where ARB requires personal addresses, the Regulation text will specify "primary residence address." If the Regulation says simply "address," then the responder can choose business or personal address.

Reporting of Corporate Associations

Is an entity required to provide an overview of the company's corporate associations?

Entities are required to report whether or not they have a discloseable corporate association. This is completed by checking the appropriate box in Section 3.0 of the CITSS Corporate Associations Form. An entity is not required to provide the overview of the nature of corporate associations requested in section 3.1 of the CITSS Corporate Associations Form, but reporting this information will assist

ARB in understanding the reporting of corporate associations and help expedite approval of CITSS accounts and account consolidations.

Does an entity need to report every entity with which it has a corporate association even if the other entity is not going to participate in the California cap-and-trade program?

The Regulation requires identification of associated entities which are not required to register when a corporate association exists through a chain of control or ownership between entities that are registered and that are not registered. For example, covered entities A and C may be 100% owned by an entity B that is not required to register. Entities A and C must report the corporate association information for B and all of the subsidiaries of B.

In Section 3.3, Reporting of Corporate Associations to Other Registered CITSS Entities, all entities listed in Section 3.2 that have accounts in the CITSS, or are subject to the Regulation, are reported. As accounts may be consolidated prior to all entities subject to the Regulation applying for accounts in the CITSS, all entities subject to the Regulation must be reported regardless of whether they apply for an account in the CITSS. If an entity is reported that does not apply for an account in the CITSS, then the CITSS Entity ID column can be left blank. The PAR or AAR listed can be the representative designated in the January program registration.

In Sections 3.2 and 3.3, how does a publicly owned utility (POU) fill out “Measure of Control” or “Percentage of Control” on the Corporate Association Form?

POUs typically don’t have an organizational structure that allows them to determine their corporate associations using the same measures of control used by most entities. As outlined in Section 95833(a)(5) of the Regulation, a POU or joint powers agency that operates an electricity generating facility has a corporate association with another electricity generating facility in California if the same entity operates both facilities. Similarly, a POU or joint powers agency that operates an electricity generating facility has a corporate association with an electricity importer if the same entity operates the electricity generating facility and is the entity importing electricity. When reporting these types of corporate associations, the “Measure of Control” and “Percentage of Control” fields may be left blank.

Reporting of Corporate Associations and Account Consolidation

If accounts are to be consolidated, do all corporate associations for each entity being consolidated need to be reported or only for the consolidated account?

CITSS Corporate Associations Forms must be completed for each entity to be represented by the CEA. It is recommended that the PAR or AAR for the CEA submit all of the CITSS Corporate Associations Forms together for the CEA and all entities represented by the CEA.

As the CITSS Corporate Associations Form is generated in the CITSS account application process, for entities that will not apply for an account in the CITSS, this form is available from the CITSS web page at:

<http://www.arb.ca.gov/cc/capandtrade/markettrackingsystem/markettrackingsystem.htm>.

If an entity will not apply for an account in the CITSS, then the CITSS Entity ID field on this form is left blank. In the case of a CEA, the CEA CITSS Corporate Associations Form will be generated in the CITSS, but for each entity represented by the CEA, the PAR or AAR will have to access the forms from the CITSS web page.

Do directors, officers, and persons with voting rights need to be reported for each entity represented by a CEA or only the individuals associated with the CEA?

As part of account consolidation, the account representatives for the CEA must file all of the required account application information for every entity to be represented by the CEA. Directors, officers, and persons with voting rights are reported on the CITSS Corporate Associations Form completed for each entity represented by the CEA.

For more information

Additional information may be obtained at ARB's CITSS website:

www.arb.ca.gov/cc/capandtrade/markettrackingsystem/markettrackingsystem.htm or contact the CITSS Help Desk at 916-324-7659 or CACITSSHelpDesk@arb.ca.gov.